

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 EUR-12 AGR-10 AF-06 FEA-01

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 /123 W

----- 003806

R 062227Z AUG 75

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 105

UNCLAS BOGOTA 7464

EO 11652: NA

TAGS: EFIN CO

SUBJ: EXTERNAL COFFEE FUND BEING CONSIDERED BY GOC

PRESIDENT LOPEZ INFORMED PRESS CONFERENCED AUG 5 THAT GOC IS CONSIDERING CREATING AN EXTERNAL COFFEE FUND TO NEUTRALIZE INFLATIONARY IMPACT OF INCREASED COFFEE PRICES. THE PRESIDENT PROVIDED NO DETAILS BUT SAID FUND, WHICH ALREADY EXISTS, WOULD NOW BE KEPT ABOARD IN DOLLARS AND CONVERTED ONLY AS NEEDED TO PAY GROWERS. THE PRESENT FUND IS USED BY THE COFFEE FEDERATION TO STABILIZE INTERNAL COFFEE PRICES. PRIVATE COFFEE EXPORTERS WERE QUICK TO SUPPORT THE CONCEPT AS IT WILL NOT AFFECT THEM. CUNDINIMARCA COFFEE GROWERS, HOWDOER, CALLED AN EXTRAORDINARY METING TO CONSIDER THE PROPOSAL. THE DIRECTOR OF THE DEPARTMENTS COFFEE GROWERS ASSOCIATION EXPRESSED CONERN ABOUT WHO WOULD MANAGE THE FUND. IN VIEW OF GOVERNMENT INTENTION TO LIBERALIZE CAPITAL IMPORTS, HE ASKED, "WILL THE FINANCE COME FROM OUR MONEY?"

COMMENT:

THE CREATION OF THE FUND WOULD BE CONSISTENT WITH GOVERNMENT INTENTIONS TO STEER COFFEE BONUS INTO INCREASED CAPITAL GOODS IMPORTS, BUT IT NEED NOT COST COFFEE GROWERS. WERE ALL INCREASED

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COFFEE EARRINGS NATIONALIZED THEY COULD BE INFLATIONARY, IF THE

GOVERNMENT TRIED TO RESTRICT LUXURY IMPORTS IN FAVOR OF CAPITAL
GOODS. WITH PRESENT EXCESS CAPACITY IN SOME INDUSTRIES,
CAPITAL GOODS ORDERS MIGHT NOT RESPOND SUFFICIENTLY RAPIDLY
TO USE THE BONUS DOLLARS. THE SURPLUS RESULTING WOULD ACCELERATE
MONETARY GROWTH AND REQUIRE MORE STRINGENT CREDIT AND/OR
FISCAL POLICIES IN ORDER TO SUSTAIN GOC STABILIZATION PROGRAM.
TIGHTER CREDIT WOULD IN TURN AFFECT ECONOMY'S DEMAND FOR CAPITAL
GOODS, FRUSTRATING INTENT OF POLICY AND INCREASING SURPLUS
STPML FURTHER. IF CREATED, EXTERNAL FUND SHOULD BE USEFUL
DEVICE TO INSULATE ECONOMY SOMEWHAT FROM UNCERTAINTIES OF
COFFEE PRICES AND SHOULD HELP THE GOVERNMENT GUIDE IMPORT
LIBERALIZATION. COFFEE FUND ASSETS, HOWEVER, NEED NOT BE
AFFECTED. AS CAPITAL GOODS IMPORTERS BUY COFFEE DOLLARS THEIR
PESOS SHOULD REPLACE THE DOLLARS IN THE FUNDS' BOOKS.
VAKY

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Margaret P. Grafeld
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TAGS: EFIN, EPAP, CO, (LOPEZ MICHELSEN, ALFONSO)
To: STATE
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